

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
MAY 8, 1997

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, May 8, 1997. Members present were Messrs. W. Paul Wolf, Vice Chairman; Norman L. Lowery, Ronald E. Depasse, Richard J. Rice, and Tony Zaleski. Also present from the Department were Charles W. Phillips, Director; James M. Cooper, Deputy Director, Bank Division; Randall L. Rowe, Supervisor, Bank Division; Chuck T. Stumpf, Deputy Director, Administrative Division; Kirk J. Schreiber, Bank Analyst; Gina R. Williams, Bank Analyst; Mark K. Powell, Supervisor, Credit Union Division; Mark Tarpey, Division Supervisor, Consumer Credit Division; and Ronda Bailey, Administrative Secretary. Board Members Mark Hasten and Gary M. Smith were absent.

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: June 19, 1997 at 9:00 a.m., EST.
- C.) A motion was made for approval of the minutes of the meeting held April 10, 1997 by Mr. Rice and was seconded by Mr. Depasse. The minutes were unanimously approved.

DIVISION OF BANK AND TRUST COMPANIES

1) First Financial Bancorp, Hamilton, Butler County, Ohio

This application was presented by Mr. Kirk J. Schreiber, Senior Bank Analyst. First

Financial Bancorp ("Bancorp") has applied to the Members of the Department, pursuant to IC 28-2-16, for approval to acquire 100% control of Southeastern Indiana Bancorp, ("SIB"), Vevay, Switzerland County, Indiana, and thereby acquire its wholly-owned bank subsidiary Vevay Deposit Bank ("Vevay Deposit"), Vevay, Switzerland County, Indiana.

Pursuant to the Plan and Agreement of Merger, Bancorp has formed FFBC Indiana Inc., an interim Indiana bank holding company, that is a wholly-owned subsidiary of Bancorp. The interim bank holding company is created to relieve some of the tax burden on SIB's shareholders. FFBC Indiana Inc. will merge with and into SIB, with SIB being the survivor.

Upon consummation, SIB will become a second tier holding company and a wholly-owned subsidiary of Bancorp. The second tier holding company will be eliminated after consummation. Vevay Deposit will then be a wholly-owned bank subsidiary of Bancorp and will continue to exist as a separate entity.

The Agreement provides for an aggregate cash purchase price for the 29,849 shares of SIB's outstanding common stock to be \$7,800,000. At the effective time of the transaction, each issued and outstanding share shall be converted into the right to receive \$261.31 per share.

The book value of SIB's common stock at December 31, 1996, was \$166.64. This represents a purchase price premium of \$94.67 or 1.57x book value. Each of SIB's shares held immediately prior to the effective time of the merger shall be canceled upon consummation. The cash to be exchanged for SIB's shares will come from Bancorp's funds currently held in cash.

Mr. Schreiber reported that the pro forma combined financial statements as of December 31, 1996, reflect a tier one leverage capital ratio of 10.81% for Bancorp. Pro forma total assets for the same date were \$2.31 billion and total equity capital of \$258 million. The Federal Reserve Bank of Cleveland approved this application on April 19, 1997.

It is the staffs opinion that the criteria for acquisition that is set forth in IC 28-2-16-17(e) have all been satisfied. A motion for approval of the application was made by Mr. Rice and seconded by Mr. Lowery. The application was unanimously approved.

DIVISION OF CREDIT UNIONS

1) Tech Credit Union, Crown Point, Lake County, Indiana

This application was presented by Mark K. Powell, Supervisor, Credit Union Division. Tech Credit Union (Tech) has applied to the Members of the Department of Financial Institutions for approval of their proposed merger of Hammond Federal Credit Union, Hammond, Lake County, Indiana into Tech Credit Union. This is a voluntary merger being entered into by the Board of Directors of Hammond Federal Credit Union so that their members can take advantage of the more sophisticated services that are provided by the much larger Tech Credit Union. Mr. Powell also stated that Hammond Federal Credit Union has had trouble finding and retaining a manager for the credit union.

Mr. Wolf asked a question concerning the membership vote of Hammond Federal Credit Union. Mr. Powell replied that the vote was taken and the documentation of that vote was on file but had not been included with the Members packet of information. Mr. Wolf raised another question regarding approval of the merger by NCUA. Mr. Powell replied that NCUA had indeed approved the merger, but the documentation of the approval had arrived too late to be included in the Members packet of information. Mr. Phillips asked a question regarding the number of small credit unions that are federally chartered in Indiana. Mr. Powell replied that it was his opinion that the majority of small credit unions in Indiana were federally chartered. Mr. Powell further stated that he felt that small credit unions would continue to struggle in the future due to their size and the lack of volunteers to manage them. Mr. Powell went on to state that several of the mergers approved by the Members in the recent past had been for the same reasons that Hammond Federal Credit Union was seeking this merger.

Mr. Zaleski asked whether the office of Hammond Federal Credit Union would be closed. Mr. Powell replied that he thought that it would be closed. However, Tech Credit Union had several branches in the area, and that the Management of Tech Credit Union was trying to negotiate some space for an office in the new Federal Building that will be constructed in Hammond. Mr. Phillips raised a question concerning a decision by the Supreme Court in the AT&T case. Mr. Powell answered that in his opinion the decision would not come down until late in 1997 or early in 1998. He added further that CUNA and NCUA were busy lining up support for the legislation that they have introduced in Congress to correct the perceived problem in the Federal Credit Union Act. Mr. Wolf asked why this merger was classified as voluntary. Mr. Powell replied that the Board of Directors of Hammond Federal Credit Union had voluntarily sought the merger, rather than the regulator (NCUA) demanding that the credit union merge.

Mr. Rice made a motion for approval which was seconded by Mr. Zaleski. The motion to approve the voluntary merger of Hammond Federal Credit Union into Tech Credit Union was unanimously approved.

2) INDIANA TELCO FEDERAL CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

This application was presented by Mark K. Powell, Supervisor, Credit Union Division. United Telephone Federal Credit Union (United) has applied to the Members of the Department of Financial Institutions for approval of their proposed conversion from a federal to a state charter (the new state chartered credit union will be named United Credit Union). United is a federal credit union, chartered, regulated, and insured by the National Credit Union Administration (NCUA). As of March 31, 1997, United had total assets of \$6 million and total equity capital of \$929 thousand. The board of directors of United adopted a resolution on January 31, 1997, which authorized Angela Gross, Manager of the credit union to pursue all of the necessary regulatory approvals to accomplish a conversion from federal to state charter.

Upon conversion, United will be governed by the provisions of I.C. 28 applicable to state chartered credit unions. As a state chartered credit union, United will be regulated by the Department of Financial Institutions and insured by the National Credit Union Share Insurance Fund. In order to convert to a state chartered credit union, United must follow the conversion statutes contained with I.C. 28 and the Federal Credit Union Act.

Mr. Powell informed the Members that an examination of United as of March 31, 1997 was performed by Department staff. The following are the results of this examination:

1. Return on average assets - 2.36%
2. Three year average return on average assets - 1.43%
3. Net capital to assets - 16.19%
4. Delinquent loans to total loans - 1.97%
5. Allowance for loan loss was under-funded by \$3,185. which management agreed to fund
6. The investment portfolio is relatively conservative with 86% of the portfolio in various financial institution certificates of deposit with maturities of one year or less.

Overall, United was considered to be sound with adequate capital and earnings and minimal asset quality problems. As a result of the examination, United was assigned a "Satisfactory" CAMEL rating.

Mr. Powell informed the Members that the most recent external review of United performed by George S. Olive & Co. revealed no significant problems.

Mr. Powell informed the Members that the NCUA conducted a full scope examination of United as of October 31, 1996. As a result of this examination United was assigned a "Satisfactory" CAMEL rating by NCUA.

Mr. Powell informed the Members that it was determined by the Department staff that the proposed conversion of United Telephone Federal Credit Union to an Indiana state charter meets the requirements of I.C. 28-7-1-29. The Department's Report of Examination of the applicant and the investigation by the staff has concluded that the resulting Indiana state chartered credit union will be operated in a safe, sound, and prudent manner.

Based upon the aforementioned findings, the staff recommended that the proposed conversion of United Telephone Federal Credit Union be approved.

After Mr. Powell's presentation, a question concerning the use of the term "external audit" in the information provided in the Members packet was asked by Mr. Wolf. Mr. Powell replied that the use of the term "external audit" was incorrect. George S. Olive had performed an "external review" of United rather than an "external audit".

A question concerning the negative capital growth reflected in the conversion examination was asked by Mr. Depasse. Mr. Powell explained that the credit union had experienced large asset growth during 1997 and therefore; capital had been negatively impacted when compared with asset growth for the same period.

Mr. Rice made a motion for approval which was seconded by Mr. Zaleski. The motion to approve the conversion of United Telephone Federal Credit Union to Indiana state charter was unanimously approved.

DIRECTOR'S COMMENTS AND REQUESTS

- A) **Peoples Bank & Trust Company, Indianapolis, Marion County, Indiana**
On April 8, 1997, the bank notified the Department of its intent to form a subsidiary to be known as Peoples Investment Corporation of Indianapolis, Marion County, Indiana. The purpose of the subsidiary is for non-deposit retail sales. **This item is for informational purposes only.**
- B) Chuck Stumpf, Director, Administration Division, presented to the Members the proposed fee schedule for all divisions of the Department of Financial Institutions for the fiscal year of 7-1-97 to 6-30-98. The only fee schedule change was the proposal to reduce the UCCC volume fee from \$18.00 to \$16.00 per \$100,000 in volume. **The Members recommended that the**
- C) The Director advised the Members of actions pursuant to delegated authority. Mr. Phillips asked for any questions or clarifications of the actions, which are as follows:

DIVISION OF BANK AND TRUST COMPANIES

- 1.) **CENTIER BANK, WHITING, LAKE COUNTY, INDIANA**
The bank has applied for approval to **relocate** a branch banking office from **709-8 Plaza Drive, Chesterton, Porter County, Indiana** to **135 North Calumet Road, Chesterton, Porter County, Indiana**. The application was received on March 17, 1997. The proposed branch, which is less than one mile for the current branch, will consist of four (4) teller stations, a vault area, restroom, utility and storage areas, employee lounge and a customer lobby of approximately 100 sq. ft. There will be approximately 600 square feet of unfinished space available for future needs. The bank will lease the space from Joseph and Kay Gersna. Terms of the lease require an annual rent of \$8,000 due in advance on April 1 of each year. The lease expires on March 31, 2012; however, the bank may extend the lease for up to two (2) additional five (5) year periods. Leasehold improvements are expected to cost \$100,000. The furniture from the existing branch will be transferred to the new location. Additional fixtures and equipment are projected to cost \$75,000. No insider relationship exists between any insiders of the bank and any of the parties involved. The bank received a satisfactory CAMEL rating as a result of an examination conducted by the FDIC as of June 30, 1996.

The bank's three-year average ROA is 1.04%. As of December 31, 1996, the Tier I leverage capital ratio is 5.99%. The investment in total fixed assets to total capital will increase from 19.62% before the proposed relocation to 20.00% following the relocation of the branch.

The bank will continue to have twenty-one (21) branches after the relocation of the branch.

The request to relocate a branch banking office was approved by the Director under Delegated Authority on April 3, 1997.

2.) **PEOPLE'S TRUST COMPANY, BROOKVILLE, FRANKLIN COUNTY, INDIANA**

The bank has applied for approval to locate a branch banking office at **214 East Main Street, Madison, Jefferson County, Indiana**. The application was received on March 25, 1997.

The proposed branch will consist of 1,800 square feet located on the first floor of a three story building. The location was previously operated as a small retail store. The bank will lease the space from Edward R. Clapham for \$600.00 per month. The lease runs for five years and has five (5) additional five (5) year terms. No insider relationship exists between any insiders of the bank and any of the parties involved. Furniture, fixtures, and equipment will cost approximately \$10,000M. Leasehold improvements are expected to cost approximately \$20,000.00. The bank received a satisfactory CAMEL rating as a result of an examination conducted by the DFI as of September 30, 1995. The bank's three-year average ROA is 1.19%. As of December 31, 1996, the Tier I leverage capital ratio is 6.99%. The investment in total fixed assets to total capital will increase from 16.62% before the proposed branch to 17.90% following the establishment of the branch. The bank will have seventeen branches after the establishment of the branch. **The request to relocate a branch banking office was approved by the Director under Delegated Authority on April 3, 1997.**

3.) **THE HUNTINGTON NATIONAL BANK, COLUMBUS, FRANKLIN COUNTY, OHIO**

An application from The Huntington National Bank ("Huntington") was received by the Department on March 3, 1997, for admission as a foreign corporation to transact business in the State of Indiana in accordance with the provisions of IC 28-1-22 and IC 28-2-17. Huntington intends to transact business as a national bank in Indiana upon the consummation of a merger with The Huntington National Bank of Indiana, ("HNBI") Noblesville, Hamilton County, Indiana, pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. Huntington and HNBI entered into a merger agreement dated January 15, 1997.

Huntington intends to retain the main office and all existing branches of HNBI after the merger as its branches. Huntington has appointed CT Corporation System, One North Capital Avenue, Indianapolis, Marion County, Indiana, as resident agent for service of legal process. **Issuance of a certificated of admission was approved by the Director under Delegated Authority on April 3, 1997.**

4.) **UNITED SOUTHWEST BANK, WASHINGTON, DAVIESS COUNTY, INDIANA**

The bank has applied to the Department for approval to pay dividends in excess of what is permitted by IC 28-13-4-3. The bank's dividend request asks approval to pay projected cash dividends of \$834,000 in the first quarter, \$552,000 in the second quarter, \$552,000 in the

third quarter, and \$552,000 in the fourth quarter to its holding company, Old National Bancorp, Evansville, Indiana. Projected dividends to be paid in 1997 total \$2,490,000. The bank is projecting net income of \$2,191,000 and a budgeted capital to budgeted assets ratio of 9.44% for 1997. As of December 31, 1996, the bank's Tier I leverage capital ratio is 9.54% and ROA is 1.10%. The bank's average three-year ROA is 1.13%. **The request was approved by the Director under Delegated Authority on April 3, 1997.**

5.) **DFI FORM 1011**

The Staff of the Department is requesting approval to amend **DFI Form 1011** which is the **Application for Admission as a Foreign Corporation** pursuant to I.C. 28-1-22. The effective date of the revised form will be April 11, 1997. **The request to amend DFI Form 1011 was approved by the Director under Delegated Authority on April 11, 1997.**

6.) **COMMUNITY BANK, NOBLESVILLE, HAMILTON COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch banking office to be located at **1202 North Lincoln Avenue, Alexandria, Madison County, Indiana**. The application was received on March 26, 1997, and the branch is to be known as **"Lincoln Center."** No insider relationship exists between any insiders of the bank and any of the parties involved. The branch will be leased from Wilhelm Realty Company, Indianapolis, Indiana. The lease term is for ten years with two five-year renewal options and requires monthly payments of \$800. The estimated cost for furniture, fixtures, and equipment is \$127M and leasehold improvements are estimated at \$15M. The bank received a satisfactory CAMEL rating as a result of an examination conducted by the DFI as of September 30, 1995. The bank's three-year average ROA is 1.71%. As of December 31, 1996, the Tier 1 leverage capital ratio is 9.37%. The investment in total fixed assets to total capital will increase from 13.28% before the proposed branch to 14.62% after the investment in the branch. This will be the institution's tenth branch. **The request to establish a branch banking office was approved by the Director under Delegated Authority on April 16, 1997.**

7.) **THE HUNTINGTON STATE BANK, ALEXANDRIA, LICKING COUNTY, OHIO**

An application from The Huntington State Bank ("Huntington") was received by the Department on April 4, 1997, for admission as a foreign corporation to transact business in the State of Indiana in accordance with the provisions of IC 28-1-22. Huntington was incorporated as a Ohio state chartered banking association on March 9, 1982. Huntington intends to solicit, purchase or accept loans or other banking business at its Ohio offices with residents of Indiana. The bank is filing the application as a protective measure and does not have any offices or branches in Indiana. Huntington has appointed CT Corporation, One North Capital, Indianapolis, Marion County, Indiana, as resident agent for service of legal process. **Issuance of the certificate of admission was approved by the Director under Delegated Authority on April 16, 1997.**

8.) **STAR FINANCIAL BANK, NEW CASTLE, NEW CASTLE, HENRY COUNTY,**

INDIANA

The bank has applied for approval to **relocate** a branch banking office from **4009 North Wheeling Avenue, Muncie, Delaware County, Indiana** to **3300 North Everbrook Lane, Muncie, Delaware County, Indiana**. The application was received on April 11, 1997. The proposed branch is approximately 2,600 square feet. The bank plans on leasing out excess space. The building was formerly the site of a Shoney's restaurant. The bank has signed an offer to purchase the building for \$750,000 from Larry Snedeker. It is estimated that the building will require \$300,000 in repairs and alterations. The furniture, fixtures, and equipment are anticipated to cost \$200,000. No insider relationship exists between any insiders of the bank and any of the parties involved. The bank received a satisfactory CAMEL rating as a result of an examination conducted by the DFI as of June 30, 1996. The bank's three-year average ROA is 0.88%. As of December 31, 1996, the Tier I leverage capital ratio is 6.72%. The investment in total fixed assets to total capital will increase from 20.87% before the proposed relocation to 31.41% following the relocation of the branch. The bank is planning on selling the land and building at 4009 North Wheeling Avenue so the investment in total fixed assets to total capital will decrease. The bank will continue to have six (6) branches after the relocation of the branch. **The approval to relocate a branch banking office was approved by the Director under Delegated Authority on April 23, 1997.**

9.) FARMERS & MERCHANTS BANK, LAOTTO, NOBLE COUNTY, INDIANA

The bank has applied to the Department for approval to pay dividends in excess of what is permitted by IC 28-13-4-3. The bank's dividend request asks approval to pay a regular cash dividend of \$22,500 in December 1997. The bank should have obtained approval for a \$1,665,000 cash dividend paid March 3, 1997, and a subsequent \$50,000 cash dividend paid April 8, 1997. The dividends to the holding company were used to purchase 1,000 shares and 42 shares respectively of holding company stock. Although prior approval was not obtained as required by the statute, the Department does not object to the payment of the two dividends thus far in 1997. As of December 31, 1996, the bank's Tier I leverage capital ratio is 12.80% and ROA is 1.05%. The bank's average three-year ROA is 1.06%. After the payment of the two aforementioned dividends already paid in 1997, the bank's Tier 1 capital ratio is 8.71%. The bank is projecting net income of \$425,000 for 1997. **The request was approved by the Director under Delegated Authority on April 23, 1997.**

DIVISION OF CREDIT UNIONS

1.) TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

K&K, Inc. d/b/a Blimpies Subs and Salads - Indianapolis - 9 members
Ferrellgas of St. Joseph County - Walkerton - 4 members
Touched by Angels Home Care - Waynetown - 4 members
Warsaw Family Restaurant d/b/a American Table Restaurant- Warsaw - 40 members
Local 9 United Auto Workers - South Bend - 3,901 members

George Uzelac & Associates - Indianapolis - 25 members
The Anderson Agency - Zionsville - 1 member
Local 9231 United Steelworkers of America - New Carlisle - 410 members
Jones, Hipsak, Inc. d/b/a Auto Insurance Network - South Bend - 2 members
Star Tower Service, LLC - Plymouth - 4 members
Comfort Master Heating & Air Conditioning, Inc. - Indianapolis - 4 members
East Lake Nursing & Rehabilitation Center, LLC - Elkhart - 150 members
Just Imagine, Inc. - North Liberty - 3 members

The request was approved by the Director under Delegated Authority on April 11, 1997.

2.) NICKEL PLATE INDUSTRIAL CREDIT UNION, FRANKFORT, CLINTON COUNTY, INDIANA

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organization into the field of membership of the credit union:

DeFord Chrysler-Plymouth-Dodge-Jeep-Eagle, Inc. - Frankfort - 28 members

The request was approved by the Director under Delegated Authority on April 14, 1997.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

W. Paul Wolf, Vice Chairman

James M. Cooper, Acting Secretary

